



ASX Announcement / Media Release

18th April 2018

Grieve CO₂ EOR Project oil production commences

HIGHLIGHTS

- Elk's Grieve CO₂ EOR project has commenced production
 - Project completed within scope and budget under Fixed-Price Turnkey Contract
 - Initial gross oil production expected to be 1100-1200 BOPD and to increase to over 2100 BOPD by CYE2018
 - Elk to receive 75% of the operating profit from the first million barrels and 65% from the second million barrels produced
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Elk Petroleum Limited (ASX Code: ELK) ("Elk" or the "Company") is very pleased to announce the start of oil production from the Grieve CO₂ EOR Project. The construction and commissioning of the Grieve CO₂ EOR Production Facilities was completed by our joint venture partner, Denbury Resources Inc. within scope and budget under a fixed price turnkey construction contract and production has commenced within project start-up deadlines. The Grieve CO₂ EOR Project is owned by Elk with a 49% non-operated working interest and Denbury Resources with a 51% operated working interest. As previously outlined in the ASX releases of 21 December 2015 and 5 August 2016, Elk holds an effective 60% economic interest in the project.

First oil production is expected to be in the range of 1100 to 1200 barrels of oil per day ("BOPD"). The Company's independent petroleum engineers and reserve auditors for the Grieve Project, VSO Petroleum Consultants, Inc. ("VSO") has projected that base case 2P reserves gross production is expected to increase to approximately 2100 BOPD by CYE 2018 and achieve a peak gross production rate of over 3400 BOPD within the first 13-months. VSO has also estimated that upside gross production rates could be as high as over 3500 BOPD under a 3P reserves case and over 6000 BOPD under a 3C contingent resource case.



Grieve production will initially fill the Grieve Crude Oil Pipeline (100% owned and operated by Elk) in stages taking approximately 10 days. After completion of filling the Grieve Crude Oil Pipeline, all the Grieve CO₂ EOR Project oil production will be shipped via the Grieve Crude Oil Pipeline and oil sales will commence via Enbridge Inc.'s Express System Crude Oil Terminal and the Platte Crude Oil Pipeline facilities at Casper, Wyoming. Initial crude oil production will be sold to the Sinclair Crude Oil Refinery at Casper, Wyoming. Initial oil sales are expected to be made by 1 May 2018. Under the restructured JV agreements negotiated in 2016, Elk will receive 75% of the operating profit from the first million barrels and 65% from the second million barrels produced.

Grieve Central Production & Processing Plant



With Grieve production start-up, Elk will be working with our independent reserves auditors to reclassify current net Grieve 2P reserves of 5.3 MMbbl to 1P Proved Developed Producing Reserves as part of our June 30th, 2018 audited reserves report. VSO has stated that based on projects previously reviewed by them, the Grieve Project will rank among one of the highest permeability miscible CO₂ floods ever performed. Due to Grieve's high reservoir quality, VSO believes that the



Project's 2P recovery rate will be towards the high end of 18% of original oil in place and that 3P recovery may achieve 24%.

Elk's CEO, Brad Lingo commented: "I'm exceedingly pleased to announce the start-up of oil production from the Grieve CO₂ EOR project. Reaching this point has been the result of the commitment and dedication of the Elk team to deliver the project. We would also like to thank our JV partner Denbury for safely delivering a "best in class" facility under the turnkey agreement and timeframe. We also couldn't have asked for a better time to begin Grieve ramp up production as the oil price hits a 3-year high."

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ABOUT ELK PETROLEUM

Elk Petroleum Limited (ASX: ELK) is an oil and gas company specialising in Enhanced Oil Recovery (EOR), with assets located in one of the richest onshore oil regions of the USA, the Rocky Mountains. Elk's strategy is focused on applying proven EOR technologies to mature oil fields, which significantly de-risks the Company's strategy of finding and exploiting oil field reserves.

COMPETENT PERSONS STATEMENT

The reserves and resources stated in this ASX release were determined in accordance with the guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS).

The Reserves and Contingent Resources in this announcement relating to the Grieve CO₂ EOR project, operated by Denbury Resources, is based on an independent review and audit conducted by VSO Petroleum Consultants, Inc. and fairly represents the information and supporting documentation reviewed. The review and audit was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Grant Olsen, a Director of VSO Petroleum Consultants, Inc., an independent petroleum advisory firm. Mr. Olsen is a Registered Professional Engineer in the State of Texas and his qualifications include a Bachelor of Science and Master of Science (both in Petroleum Engineering) from Texas A&M University. He has more than 10 years of relevant experience. Mr. Olsen is a member of the Society of Petroleum Engineers (SPE) and an Associate Member of the Society of Petroleum Evaluation Engineers. Mr. Olsen meets the requirements of Qualified Petroleum Reserve and Resource Evaluator as defined in Chapter 19 of the ASX Listing Rules and consents to the inclusion of this information in this report.

The information in this ASX release or presentation that relates to Reserve and Contingent Resources estimates for the Grieve CO₂ EOR project have been compiled and prepared by Mr. David Evans, COO and Mr. Brian Dolan, COO-USA and VP-Engineering of Elk Petroleum Inc. who are both qualified persons as defined under the ASX Listing Rule 5.11 and both have consented to the use of the reserves figures in the form and context in which they appear in this presentation.

Mr. Evans is a full-time employee of the company. Mr. Evans earned a Bachelor of Science with Honours in Geology from the University of London, United Kingdom, a Post Graduate Diploma, Petroleum Exploration from Oxford Brookes University, United Kingdom and a Master of Applied Science, Geology from the University of Canberra and Australian National University in Canberra, ACT. Mr. Evans has more than 30 years of relevant experience. Mr. Evans has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Evans consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.



Mr. Dolan is a full-time employee of the company. Mr. Dolan earned a degree in Mechanical Engineering from the University of Colorado at Boulder. Mr. Dolan has more than 24 years of relevant experience. Mr. Dolan has sufficient experience that is relevant to the company's Reserves and Resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr. Dolan consents to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.